

**COMMITTEE ON ACCOUNTS, ENROLLMENT & REVENUE  
ADMINISTRATION**

**October 21, 2003**

**4:00 PM  
Aldermanic Chambers  
City Hall (3<sup>rd</sup> Floor)**

Chairman Shea called the meeting to order.

The Clerk called the roll.

Present: Aldermen Shea, Guinta (late), Smith (late), Thibault and Lopez

Messrs: Kevin Clougherty, Kevin Buckley, Sharon Wickens,  
Steve Tellier

Chairman Shea addressed Item 3 of the agenda:

Communication from Guy Beloin, Financial Analyst II, submitting  
the City's Monthly Financial Statements for the three months ended  
September 30, 2003.

On a motion of Alderman Lopez, duly seconded by Alderman Thibault, the item  
was moved for discussion.

Alderman Lopez stated I'll ask the Finance Officer if he has anything he would  
like to report to us for the month of October coming up especially on revenues and  
all of that for the MS-1.

Finance Officer Kevin Clougherty stated if you look at the financials Alderman  
there are really just a couple of things I'll bring to mind. If you were to look at the  
annual expenditures for the City departments, the one that kind of looks a little off  
there this year is Elderly Services on Page 1. The amount they've got committed  
because of their leases puts them into a situation that we don't ordinarily see them  
in, but we're dealing with that in a contingency resolution tonight to transfer the  
additional money. So as far as the expenditure side we're okay. With respect to  
the revenues, if you take a look at the City's revenues overall we're trailing a little  
bit, but the trailing is primarily due to the School charge backs and that's a timing  
issue. When you compare this period of time last year to this year it looks like

you're off \$1 million but its really because you haven't billed the School. It's a timing type of thing. In fact that's going to come forward, it is just a matter of how those get reported. So we're not worried about that. Auto registrations are performing better than expected, interest income is still flat, but overall the budget is performing and we expect to be able to meet the obligations of the budget and do what we need to do with respect to the retirement requirements and the okay and that's what we'll report to DRA.

Alderman Lopez asked how do we calculate some of the other unexpected revenue in the year. Have you figured all that out yet or are you in the process of figuring that all out?

Mr. Clougherty asked for the purposes of the tax rate?

Alderman Lopez replied yes.

Mr. Clougherty answered it is pretty much dead on what we had talked about. So we'll go with the revenues that were included in the budget and we're okay with that. And we're going to talk about, not to steal some of the thunder from the next meeting, but the tax rate calculations that we're doing based on those revenues, and I think that's what you're asking, are very favorable. The evaluation is higher than you thought when you set the rate, the expenditures are tracking well, the revenues are doing well. You thought it would be like 4.1 percent, it actually is going to be closer to 3.1 [percent] and that doesn't include the sale of the properties. So if you do that, that gets you down to about 2.5 [percent].

Alderman Lopez stated that would be great.

Mr. Clougherty stated that's a very good story in a very bad economy. The City has done a good job. The budget is adopted and balanced, the tax rate information is favorable.

Alderman Lopez stated in looking at some of the other cities and towns around the state, they are pretty high in comparison to what we've done.

Mr. Clougherty stated they are very high. If you read the article today about Goffstown for example, it looks like their rate is going down, but it really isn't. They had a reval. So although the rate is going down the bills to people are going up. In our case it is going to be stabilized.

Alderman Lopez stated good management.

Alderman Thibault asked when do you think that the school appropriations will come in so that you can keep us abreast as to where we're at with that.

Mr. Clougherty answered we're doing that now Alderman, they just haven't hit. We expect over the next 30 days. When you get this report for the next meeting it should show a big difference.

Chairman Shea stated so in essence Kevin you mentioned that the tax rate is going to be a lot lower than the projected tax rate and right now you mentioned that it may be closer to 2.5 percent rather than 4.1 percent, or am I misunderstanding?

Mr. Clougherty answered you have some decisions to make tonight at the full board level about the sale of land. Remember we said that if you were to sell some land, we would allow up to \$650,000 to be approved if we had a purchase and sale. If you do that, you'll probably be close to the 2.6 [percent] area. Your tax rate increase, if you include that, will probably be close to 2.6 percent. If you don't do that, if you say okay we can't get the land sold in time, the most the tax rate would be would be about 3.0 to 3.1 percent, which is still a full point below the 4.1 [percent] that we talked about in June and well below the 8 percent that we were talking about in the beginning of May.

On a motion of Alderman Lopez, duly seconded by Alderman Thibault, it was voted to accept the report.

Chairman Shea addressed Item 7 (tabled) of the agenda:

Overtime report submitted by the Human Resources Director.

On a motion of Alderman Lopez, duly seconded by Alderman Guinta, it was voted to remove the overtime report from the table.

Chairman Shea asked Kevin can you give us some indication or Guy [Beloin] can as far as the overtime pay and what we can do, or what you people, or what the City can do to kind of hold back the amount of money spent for overtime.

Mr. Clougherty stated the committee had asked us at a prior meeting if we could put structure some reports that might be useful managerially for you during the year so that you could better track overtime. I think the Human Resources Department said that they could give you some numbers, reports that would show how much by department, by line item, where the overtime was spent. What we sent out to you, and hopefully you all got in the mail were these colored charts. Based on the June 30<sup>th</sup> numbers, we could have these reports structured so that at

every quarter you would get this report on overtime. And what it does is that it shows you for example for the periods ending June 30, 1999, 2000, 2001, 2002 by major department what was spent on overtime during that period. And then you can go beyond that to the individual departments and say all right where was it spent within the department. Was it spent in administration, was it spent in plowing or where, so you get to see that in graph form to compare month to month to get some idea what's going on there. At that point I think what Ginny Lamberton had said and what we had said is if you see a big line going up and that's something you want to look at, then you go to the individual department and say all right I'd like an explanation of why this is going up and have an explanation for that if they could respond to that. Rather than going through a more difficult process of asking the departments to come in every week and justify what they were spending, we thought we could give you these reports and then help you to focus on some specific areas where you could ask some questions, maybe through this committee.

Chairman Shea stated just before I open it up, Kevin what I'm interested in as chairman and I think the members I may speak, are certain types of suggestions or types of procedures. In other words, if for example and this was discussed at length, we'll say for instance the Fire Department has a great deal of overtime. The examination might be from a financial point of view, is it better to add people in order to provide the services necessary and then save a little bit of money or is it obviously better to pay the overtime. And I think that in terms of certain departments like the Police as we look at theirs, theirs went down quite a bit from 2002 to 2003 and one wonders it was consistently up around \$1.1 million and it went down to about \$890,000. So one would have to say why is that? What the Finance Office or someone within the Finance Office could do is to spend time on this element of our budget and say why is this so and that so. We're not saying it isn't necessarily, but what we're saying is that the more procedures we put into place or the more ways we analyze these things, the figures in and of themselves are helpful, but if we just regurgitate the figures month after month. That isn't going to solve any problems, it's just going to give us information. So to go deeper into that we have to look at possible of ways either keeping this as process of looking into techniques or methods that we could use. That would be my comment.

Mr. Clougherty stated just to follow up on the Mr. Chairman, as you know what we've done is we did these reports and we said okay if you want to take a look at in depth, we have Kevin [Buckley] who will be reporting you about his work at the Fire Department to exactly the depth analysis that you talked about. Taking it one department at a time so we're following that.

Alderman Thibault stated I guess the chairman is right that this is basically I think what we were looking at is the Fire Department and if in fact is it better to keep paying overtime or to probably rehire someone else in one of those positions. I guess the chairman is right in saying that and I believe that that's what I'd be looking for. For information as to...and you think maybe Guy would be able to enlighten us on that a little bit?

Mr. Clougherty answered no. I think Kevin has actually been working with the Fire Department and doing that analysis as an independent audit function so that we can say okay here's a trend and then he can come in and give some rationale for that independently.

Alderman Guinta stated what I'd like to see is an aggressive approach to try to identify how we can cut expenses that are related to overtime. Not just overtime, but expense related to overtime by 50 percent. Because at \$4 million each year on average that we're spending on overtime, so for example I saw at the drop off center there's relatively low activity I suspect the reason it is so low is because the hours of operation and I suspect Saturday's are overtime, so that's something that we're not going to avoid. We have to pay that. But there are other expenses within other departments that I think we could probably identify other ways to get the work done without using overtime and what I'd like to see is...first of all I think the report is great, I also think that we should have quarterly reports so we can monitor it, but I'd like for Kevin to work aggressively with each department to come up with a plan that cuts everything by 50 percent. So I'm not saying...but overtime by 50 percent, but then bring on other people. I think that the way we can play with the numbers are we certainly bring on some staff, but I want to see these overall numbers come down 50 percent with the expectation that we are going to have people that we are going to hire so I want those figures calculated in to the expense. There's got to be other ways that we can do some of this work. Snow and ice removal, I think the department does a good job but they are undermanned and I think they have two or three trucks less than the airport does, which doesn't make sense when you're looking at the geographic areas in which the airport versus the City has to manage. So does it make sense to invest in more trucks and more people and will that cut down to bring the overall expense, including the hiring, down by 50 percent. Because that would be \$2 million a year, which is two percent on the tax rate, and that's a real savings to the taxpayers. So that's really where I'd like to see this go and I'd love to see...I don't know what kind of timeline that we could commit Kevin to but I'd love to see it for the budget process, to be included in the budget process.

Mr. Clougherty stated I agree with you Alderman. That's the reason we've been looking at this this year. Just to give some idea of the bottom, if you look at the second page, the total column. The yearly totals for overtime for all of the

departments, you look at that little box on the right, 1999 it was \$2,550,000, in 2000 it was \$2,509,000, 2001 it was \$2,888,000, 2002 it was \$2,266,000, and in 2003 it was up to \$3 million. Those are the actual overtime dollars that comprise the universe so far that we can look at.

Alderman Guinta asked I assume that excludes the Airport then?

Mr. Clougherty replied right. We don't look at the enterprise on this. This is the general fund.

Alderman Guinta asked so the rest would be enterprise fund. When we received the report it was over \$4 million.

Mr. Clougherty replied right. But just to follow up. Your point is well taken. What we hope to gain from Kevin looking at Fire, is there are some things that Fire can do that are going to be unique to Fire. There may be some things that we find in Fire that maybe transferable across the board to everyone. Then after you look at Fire and you go your next agency and have them look at Highway for example, then you're going to find out some things again that are maybe unique to Highway, but then you start to develop some across the board. So it's after you've done a series of those analysis that that would work. Whether we can get that second audit done in time for the end of the year, it is going to be a matter of time and bodies whether that's a priority or not. That's the next item on the agenda. When we talk to Kevin about it in the audit status. But that would be the point of the exercise is to get in as you say and really take a look at the information and try to develop policies Citywide as well as within each department.

Alderman Lopez stated basically on the same line. You take the other, whether or not we could have some type of policy or administrative personnel working overtime or things that probably could wait until the next day while people are working versus bringing people out, then the fact of the what are the laws of the land that we have to go out there and pay overtime and bring people in as Union contracts and stuff like that. So each major department has to really sit down and that is what Kevin is going to do, and I say for the budget too as Alderman Guinta said. When we look at other - 2003 \$190,000, what is other? Why are these people other than emergency crew, and it could be emergency people coming out there, what are the policies that are established within the department when they call somebody or whether they call in somebody. Could they for example, a Police officer put a horse out there until tomorrow morning until the regular crew comes on, or is it absolutely by law that they have to come out there. Those are things and information that I think department heads have to educate us as to what the rules of the game are and then we can move forward.

Mr. Clougherty stated just to clarify Alderman, when we're looking at that other category, what we did and this was just to give you an idea of the types of reports we could generate for you, we took the biggest overtime general fund users, which were Fire, Police, Highway, Other is everybody else. It's Parks & Rec, Health, all the departments in the City. So it's not other in the sense of function it is other as in all of the other departments. As you try to break them out get so small on our graph you really don't see it. This gives you a comparison of what all of your other departments are like versus those three others. We could break those out separately as well, if you'd like by department, we just tried to concentrate on the big overtime users.

Alderman Lopez stated I agree with you. We had that type of report and I don't think it's really necessary to go through all of that paperwork. I'm just wondering if the department heads, for an example, let's take your department since you're here. Why would you pay overtime?

Mr. Clougherty stated we only pay overtime only when we come to the board and ask for special commission to do that for that project.

Alderman Lopez stated and then the question comes up and the Human Resources Director's not here, but do we have exempt employees getting overtime pay? That's a big question. And I think looking at the previous report we had people that were exempt getting overtime. Why are they getting overtime pay? I think we have to dig into those types of situations and what the policies are and then move forward from there and get a handle going into next years' budget.

Mr. Clougherty stated again Alderman, the best way to do that would be to have Kevin independently look at the overtime issue and provide you with that information. That would be your best approach.

Alderman Smith stated I think what we have here, all of the agencies that we're talking about, Police, Fire, Highway, they are all involved with safety and they are all weather related or all complimented by insurance. I'm sure the Fire Department if they have one or two men out, insurance wise they have to man that department. It's sort of a dilemma, we can't expect what the weather is going to be and also if we're going to hire somebody we've got to realize all of the cost involved, the benefits and so forth. I'm not advocating one way or the other but you have to analyze everything and that's the main reason. Maybe it's cheaper to have it as overtime rather than have three or four permanent employees, but the dilemma we're in, but I think that we have to get these three major departments together along with Kevin Buckley and iron this out.

Chairman Shea stated I think, if I might add, as a committee Kevin, we can have Kevin Buckley work on this, but I think it's important that he report back to us in order for us to understand what's going on so that we can keep track. I tend to agree with the discussions here, obviously, what we want to do is make sure we keep the objective in mind. We want public service and we want people to be served within the community to pay the taxes for these services, but at the same time we want to get the most for the buck that we can get in terms of making sure that we're not overpaying for services that don't need to overpay for. But I think it's important that from an analysis point of view that we do whatever we can to assure that we're doing the best job possible as committee people.

Alderman Smith stated I agree with Alderman Smith. It is weather related but it's also contract driven. We could show you what the specific overtime requirements are in the related contracts that are agreed to so that you understand what has to be paid for circumstances.

Chairman Shea stated and I think, if I may mention, it's difficult to set a particular ratio. Obviously that makes it very difficult because we really don't know what we're going to find out. We can set a ratio of cutting back a certain percentage, but I don't if an exact percentage is necessary simply because we don't have all of the information available to us. But it's a kind of goal to try to reach.

Alderman Guinta stated contracts dramatically impact these numbers. That's something that we're going to have to deal with when the next round of contract negotiations. And I think that we should start getting into the mindset of somehow working with the negotiators on the other side of the table to talk about the philosophy that they have versus the philosophy that we have. What we really could do is change how overtime is paid, but increase the number of employees that are represented by the people negotiating. I think that's good for the City, I think it's good for the unions. So I think that there's some areas of agreement on that particular issue and I think when it comes time, I don't know if Kevin could also include in the analysis how much the contracts affect this, but if he could do that it would be great, because it really...and then an example of a hypothetical, how many people we could hire with an expected savings of 25 or 35 percent. Secondly, exempt and non-exempt. Exempt employees are salary. I think we should have a policy that nobody that's on salary should be earning overtime. If there are people in the City who are exempt who are receiving overtime, I don't know under what circumstances that would be occurring, but my view would be that there better be a very good reason for it because as I understand the law, there are not supposed to receive it. I'd love to see some sort of analysis if that is happening, if it's happening in one department or several departments, why. And then the last issue is. Is there a quarterly breakdown? I see in this report towards



the end you have a 4<sup>th</sup> quarter report for 1999 through 2003. Is there a first or second or third quarter report in here that I'm missing?

Mr. Clougherty answered what we've tried to do here, and this is the first time we've talked about, we just tried to give you a format before we did a lot of these, but you could generate one for each quarter.

Alderman Guinta stated I would love to go back and see what first, second and third quarter results are. I seem to remember seeming a dramatic increase in the 4<sup>th</sup> quarter.

Mr. Clougherty asked do you want us to prepare those reports for the next meeting?

Alderman Guinta answered if you could. Because there's another issue here and the issue to me is I want to know if departments are spending money at the end of their fiscal year because they have it and if that's the case, then it's got to be stopped. Now, if it's now the case, then at least we know the money is being managed equally throughout the year. It seems as though there's a trend that at the end of the last quarter, there's a dramatic spike in overtime pay. At least that's what a number of Aldermen have seen.

Mr. Clougherty stated we'll do that analysis for the Aldermen and we'll have that at the next meeting.

Chairman Shea stated one point of clarification. Exempt employees are highly classified employees that obviously receive a higher salary than non-exempt employees. Both are City employees on a fulltime basis, but most of the non-exempt employees are the lower classified workers rather than any kind of differentiation between working fulltime...

Alderman Guinta interjected but isn't there a differentiation in that exempt typically don't receive overtime and non-exempt are entitled to overtime?

Chairman Shea answered yes there is that, but the reason you have exempted employees is because they are higher salaried employees, department heads and so forth, whereas non-exempt employees are those that are lower.

On a motion from Alderman Lopez, duly seconded by Alderman Guinta, it was voted to accept the overtime report.

Chairman Shea addressed Item 4 of the agenda:

Communication from Kevin Buckley regarding an audit status update.

On a motion of Alderman Thibault, duly seconded by Alderman Lopez, the item was moved for discussion.

Alderman Lopez stated as I read through this Kevin, you made some recommendations and some answers back from the department. In particular one of the recommendations was a standardized form. Let me go to Page 12 so we're on the same page to give you one illustration here. The recommendation that you made was that the City should develop standardized forms and procedures for using and issuing contracts. Then the Highway Department answered back, I guess that would be a good thing for the City Solicitor's office. I guess I'm wondering what these particular recommendations are, we get the report, we accept and then what happens. Are we going to maybe send all of your recommendations to the City Solicitor's office and see if there can be some rules and regulations made or what? I think the report is fine, don't get me wrong.

Internal Auditor Kevin Buckley stated in this case on that one issue and I think maybe there is some confusion. I could have worded the recommendation better. As far forms are concerned, I'm not as concerned with the form of the contract itself, which by the nature the contract they differ from everyone. This also stems a little from a recommendation that our external auditors have been presenting to us for a couple of years. We've been getting letters about having a contract administrator to oversee all of the contracts. I don't know if that would really work in the City the way things are done. It would be centralized to have one person to try and do it. It would be nice if you could do that, but forms are...when I was looking contracts and looking at all of the backup material and I would get a file and if I took a file from a contract at Parks and a file from a contract at Highway and fire from a contract at Airport and you put them together the form and the substance of the files are completely different. There is no logical set up to any form and what I would like to see to make it easier, and I know the external auditors have had difficulty to make it easier for someone to pick up the contract file and to be able to follow a contract through and see that everything is supposed to be checked and make sure that the contract is being followed, which would be in a logical sequence and I could pick up the file, anyone who wanted to look at it could pick it up and say okay here is the form in the front that says you've checked off this, this and this. The Solicitor has signed off on it, you've got the insurance forms are in there, the bond that we need is in there. It is all in the front so you can be sure that everything's in there. I'd also like to point out that I had no problem finding I just had to dig around for it. But everyone did it a little bit

different. I would just like standardize how people approach monitoring their contracts.

Alderman Lopez stated maybe the thing that I'm getting at then, is that the recommendation I think is fine. Is it something that you can come up with some type of form that you would like everybody to use and we can direct it?

Mr. Buckley replied I would like to get together with the main people who use contracts on Highway and Parks, etc. and actually discuss things that I really need in there to monitor a contract. Find a way to organize the filed better so that it would be easier to tell that they're doing everything. All the findings in this report are relatively minor and that's a relatively minor thing too. Because I did find that everyone was doing a good job and I found no problems with anything in this whole audit.

Alderman Lopez stated I think you're right on, because even as a layperson would look at that contract, would have a cover sheet explaining different things and whether things were checked off so if somebody goes through. And I think you're absolutely right, one of the biggest things we have in the City here, we have nobody looking over all of the contract to make sure that all of increases or percentages or whatever you have in those contracts, everybody is doing their own little thing until something comes by the way and they say oh yes that's right we're supposed to get another half of percent, or something like that. I think you're right on. I really agree with that. I just want to make sure that if it is appropriate if you could come up with that particular form so that we can institute some type of policy for everybody.

Mr. Buckley stated I'll do some research on that and see what I can come up with.

Alderman Lopez stated the second thing I have is which we went through in CIP and I'm talking about the bonded projects. I noticed that in your report 1994, 1995 and I know Kevin worked very hard and I was surprised to find that the Highway Department didn't understand that they could move these things around with the Finance Officer and I was wondering if that's been cleared up as to using some of that money for something else and working out so that we don't get taxed by the IRS.

Mr. Buckley replied I think all of that's been cleared up and the major part of that was something that at one time was being done at Finance under the old LGFS computer system, where it was monitoring bonds. Every bond when it was issued had its own fund, and so if she wanted to see the cash balance in there to make sure that all of the money was spent, she could run a report and it would just jump right out at her and tell that it was spent. When we switched to HTE and we did

the chart of accounts, she lost that ability to easily do that. You had to kind of back into that number and so it wasn't as easy the Finance Department to see this. Now they've redone it the way that they handle bonds so that number, the cash balance can be pulled out really quickly and jump out at them. So it will be much easier for them to monitor it and I think because Highway or Parks or whoever when they're spending money on these contracts, they may not necessarily be aware of when the bond on that project was actually issued, because they accumulate expenditures without issuing the bond until they get enough expenditures up that they'll issue the bond on the project. They may or may not be aware of exactly when that happens. So that's something that really should be monitored mostly over at Finance, compared to what they had been doing recently. So that will help a lot.

Alderman Lopez stated on Page 12 you reference the Highway Department and maybe you can answer the question. I'm trying to figure out if the Mayor will be executing all of the contracts, certain change orders, a policy should be put into place to ensure a reasonable turn around time. If the Mayor is not available to execute the document in place, how could that happen? Or has it happened? What do we mean by the response? The Board of Mayor and Aldermen gives authority to the Mayor to execute the contract.

Mr. Clougherty replied I think the concern there is what Kevin was alluding to was if you have major change orders should there be some type of an approval process and should that be the Mayor and I think like over at the Highway Department saying if that's the Mayor and he's out of town I've got to get this going this afternoon, how do I do that? I think Kevin was making a general recommendation that suggested that obviously you have to work that through and that's when he meets with the departments about some of these other issues.

Alderman Smith stated I noticed the Highway Department has a standardized form that they use and they're not too pleased, I don't think, with this type arrangement. I noticed that Parks & Recreation and their response was they want a standardized contract. Now I've seen the contracts at the Highway Department and I don't see anything wrong with this. It is a very, very excellent form. Also you've got to realize when a lot of these contracts go out, they are 12 to 18 months, maybe three years, and when the CIP bonds something it's kind of hard, I assume the Planning Board is administrating but some of these projects go on for years and sometimes they are not away, the agency, isn't aware of the bonding situation. They assume they have that money.

Mr. Clougherty stated it should be structured and by talking to the departments about putting in better reports so that people can be monitoring that as well. So there's been a lot of activity in trying to improve that area.

Alderman Thibault asked I agree to some extent with Alderman Lopez and with Alderman Smith, but where most of these contracts are so different in so many ways. Such as Police, such as Fire, such as Highway because of special circumstances. How do you expect to make some kind of a standardized form where everybody should follow? Because these contracts are all so different. There are stipulations in almost every contract, one says this is okay except if you do this or expect if you do that, so I'm just wondering how you'll be able to get to, as Alderman Lopez is saying, to get to a standardized form as far as all of these contracts. They are all individuals, if you will. Most of them are anyway.

Mr. Buckley answered and you may not be able to get to one standardized form but there should be standardized elements in every contract. I think legally there's some standardized elements every contract has to have and there's things that the City should require and does require in every contract, such as the ability to have the City choose an auditor to go in and look at your books if you're contracting with the City. And they should at least be some sort of checklist that goes into the front of the contract folder to ensure that all of those elements have made it into the contract.

Mr. Clougherty stated that checklist would be like a master list that somebody could follow when they are developing the contract.

Chairman Shea stated one point that I'd like to bring out and hasn't been brought out. On Page 6 it has to do with the...you can not detect financial misstatement, and my question is, how do you propose they be corrected? That's in reference to the top part of your presentation on Page 6. Beginning with "A material witness as a condition in which the design or operation or one or more of the internal control components does not reduce to a relatively low level the rate that the statements and amounts that would be material in relation to the financial statements being audited may occur." Kevin, how do you go about correcting this financial situation?

Mr. Buckley answered this is just standard language that goes into an audit report and what it is saying is that I've done a sample in my audit. I haven't looked at very single transaction. I've designed my sample to try to find anything material that would affect the statements that I put in this report, but because I'm doing a sample it's not absolutely assured that if there is something wrong I would have found it. I've designed my samples to reduce to a low probability that I would miss something, but it's a disclaimer, it's standard language that goes into all audit reports. That's all that paragraph is saying.

Chairman Shea stated so basically there are no financial misstatements. But in the event that there were, how would you go about then handling these misstatements? If the model that you've drawn up does not either detect these or does not detect these as it were and you find out later.

Mr. Buckley answered if I detect a misstatement in my auditing I would bring it to your attention and I would look into why it was misstated. Why it went wrong, what internal control could be put in place to stop it from happening again? The first thing I do in an audit is I look at internal controls to make sure that there's controls in place that will put this to a relatively low level. And there are controls in place in the City.

Chairman Shea asked prior to the meeting you and I discussed about the computer system in terms of the HTE and the LGFS and you indicated that today the person who is directly responsible for that within the Finance Department is Joanne Shaffer? Is that correct?

Mr. Buckley answered she is in charge of monitoring the bond. Yes.

Chairman Shea stated so we do have a person that is in charge.

Alderman Guinta stated Observation No. 3: missing cash start up. There was only project identified where that situation occurred?

Mr. Buckley answered yes and it was a very small project and there was a...there was some problem with getting it going and the project never got going and eventually I think it showed up in one of our reports, one of Finance's reports that they gave you and they just transferred the money. It was finally taken care of.

Alderman Guinta asked how much was it?

Mr. Buckley answered \$10,000 or something like that.

Alderman Thibault stated I'm not sure if it pertains exactly to what we're talking about now, but the thing that bothers me constantly and has since I have sat on this committee, is these delinquent accounts. We must find a better way of collecting these accounts. For instance, if you go to the Building Department and ask for a permit, you must pay for the permit before you start your project. Why can't we do this with this? If somebody comes in for any kind of a permit, we have them pay up front rather than behind?

Chairman Shea stated we'll probably be discussing that when we take up the next item.

Alderman DeVries stated I'd like to take us back to the CIP bonding and the discussion we had...I am on Page 4 of your report. When we talked about multiple year projects, or bonds, repetitive projects, and when we go to the CIP in the past, we already talked about the Highway Department preferred the policy of utilizing the revenues that were specific to the project rather than going back multiple years. When I had the discussion with the Highway Department on that...I guess what I'm trying to get a handle on is if we start to develop a different policy, I understand that IRS needs us to make use of old bonds, that they can not sit there unused forever, but I'm wondering if we're losing some of the controls that the taxpayers would expect us to maintain in that when a project is brought forward, if they look at the funding that can go through the CIP process that year, but then they also look at preexisting bonds, as an added bonus that they can add onto that. Are we losing a level of control or a sense of what the actual expense of project is? If we move away from Highway Department's preferred method of always issuing for a specific item, going to the well just for that one item, if they don't use it, then it would go back into the general fund and be returned to the taxpayers at the end of the year?

Mr. Clougherty responded two things in that regard Alderman. What we're trying to do here is take the IRS requirements and balance as best we can with each department. In a lot of other cities what they will do is instead of having any abatement programs, for example, they will schedule out specific annual programs, specific budgets. Going that route I think puts the department in more of a red tape problem than the approach we've trying to use. At the same time that we have to meet the IRS requirement, there's the need to try and balance that and roll those things forward. As we talked about some type of sub-reporting on the project to try and get that accomplished, I think that's a possibility but we're still looking at it.

Alderman DeVries asked would you elaborate on that sub-reporting?

Mr. Clougherty replied yes. Maybe what you do is you set up the individual projects on a work order instead of appropriating the dollars to the project, still appropriate to the annual maintenance program but we have the individual item reported. That's where Joanne is coming from. I think that will work.

Alderman DeVries asked how will that affect us in the budget process?

Mr. Clougherty answered you would know what the balances where for the different sub-projects, as well as what the balances of the program overall and how the clock is running against that overall fund. They have to say we're going to spend all of that on this project, which again is not a bad thing. You are visiting

those projects every year and you're validating that you still want to spend the money for those particular projects. I think that's a good way to do that.

Chairman Shea stated publicly I'd like to thank Kevin Buckley for the excellent report. It was a lot of work and very technical. An internal audit is different than an external, we both understand that and this is very helpful too us.

On a motion of Alderman Lopez, duly seconded by Alderman Thibault, it was voted to accept the communication.

Chairman Shea addressed Item 5 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:

- a) department legend;
- b) open invoice report over 90 days by funds;
- c) open invoice report all invoices for interdepartmental billings only;
- d) open invoice report all invoices due from the School Dept. only; and
- e) listing of invoices submitted to City Solicitor for legal determination.

On motion of Alderman Thibault, duly seconded by Alderman Smith, the item was moved for discussion.

Alderman Thibault asked why is it that we could not go the same as the Building Department or any other department that these people that apply for anything like this must pay up front rather than behind. Why can't we do that?

Financial Analyst II Sharon Wickens asked for the fire alarm fees?

Alderman Thibault replied whatever it is. Fire alarm, for instance is a good example. If somebody has to have a fire alarm, they should pay for it before they get it, not after. Because what happens is we don't collect.

Ms. Wickens stated this is an annual charge, so they already have that and annually we bill them for it.

Alderman Thibault stated all right I could go down the list here and there are many that we lose. Right? I'm saying, why can't we find a method to charge these people in order to get the service rather than after they get the service?



Mr. Clougherty replied Alderman you certainly can do that. Again, it gets back to balancing. What you see here on this report are the relatively few offenders of that that don't pay on a timely basis. For the ones that aren't, you probably have a whole number of people out there that are honoring the system that are making payments in good faith. If you were to go to a process of requiring cash up front or something like that, you're going to get into a situation I believe where you're going to be penalizing the majority of people who are complying for the minority who aren't. And if you go that route, you're going to find that what I think a lot of the vendors would ask for is the ability to do things on a credit card basis, which is certainly something you can do, but it is going to be expensive to install all of that equipment and all of that software in all of the departments. What you might do, instead of saying you're going to require the cash requirements for everybody, penalize the ones that are doing a good job, is just as you have this list all of the departments have access to who is delinquent. And what they could do is, we have a policy that says if somebody is on the 90-day list that you don't reissue something to them. I'd be happy to explore the legality of that with the Solicitor's office and come back to you. If that policy by acceptance works, that if somebody is 90 days out of payment for something for a particular department, to do that. So we'd be happy to generate the reports that are available and the departments can access to that. It is just a matter of legally what we're required to do. If you want me to do that, I'll do that.

Alderman Thibault asked give me a ballpark figure, both either one of you, as to how much the City loses per year from that. A ballpark and let's make it conservative.

Mr. Clougherty answered about \$20,000.

Alderman Thibault asked that's all?

Mr. Clougherty stated we've done a good job over the last couple of years Alderman and purging and working with the committee to make sure that these things are kept current and that Solicitor goes and follows up on them.

Alderman Thibault stated it seems to me it was more than that, but I'll take your word for it.

Mr. Clougherty stated once upon a time it was.

Alderman Thibault stated well maybe you've got a good idea. Maybe the people that are normally delinquent, that we no longer let them go delinquent. You must pay up front or you're going to have a certain amount of time to pay up or

whatever. Because I feel that we're losing...to me I thought it was a lot more than that.

Mr. Clougherty stated once it was Alderman, and I think we've done a good job of catching up over the last couple of years, but that's not to say that there aren't some habitual offenders and that...

Alderman Thibault stated they could change their name and come back and apply for another license with a different name, you have no way of contacting them or finding out. That's why I say if we charge ahead, we'll certainly be away from those people.

Mr. Clougherty stated and I think some of the departments are doing that for the licenses, but if you want us to explore that, we'll be happy to look at legally what we can do and put that together.

Alderman Thibault stated I would certainly like some answer on that as to what we can do.

Chairman Shea stated I think the more checks and balances we have within the City government, the better it is obviously for everyone concerned.

Alderman Smith stated, as you well know I've been after this for a year and a half. I'd like you to go to Page 2, open invoices over 90 days, and there is account 63097 and approximately \$11,000 that I guess is owed to Finance. I don't know what the situation is on that or what the story is.

Ms. Wickens replied that is Mark Favor. He was a police officer for a period of time and that was the training that we had paid for him and I guess the policy is you have to be with the City for so long or else you have to pay for the training back. This is currently in the Solicitor's hands. We thought we found him in California, and it turned out it wasn't the same Mark Favor, so we're having trouble finding him. But at this point I think the Solicitor's office and I are in agreement that we may have to write this off and still try to recover it, but we can't find him. This is an old receivable.

Alderman Smith stated on the write offs, there's a personal thing with me because I can't believe that construction companies doing business with the City of Manchester today, you would be writing them off as a debt they owe to the Cit. And there's two that I know of that you're asking to write off and they're both engaged right now, I can tell, they're working concerns, they are working right here in Manchester as of this date and time.

Ms. Wickens asked which one is that?

Alderman Smith answered RH White and M&L Sons Enterprises.

Ms. Wickens stated both of them were sent to the collection agency and they were unable to collect on them.

Alderman Smith stated when I worked we used to get a permit and I can't understand a Highway Department like RH White, they do work for Keyspan now, why they can't pull something on them where they can't do any work until the bill is paid. I think it's understandable. And M&L, I'm not picking on them, they did the site work over at West-Memorial. These companies are still in business as of today and time and I wouldn't like to see these written off at all.

Chairman Shea stated what I'd like to do gentlemen is with your indulgence kind of approve this item and then the next item as well. I'd like to get the Assessors up for just a minute.

On a motion of Alderman Lopez, duly seconded by Alderman Thibault, it was voted to accept the communication.

Chairman Shea addressed Item 6 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting the first quarter fiscal year 2004 write-off list for the Accounts Receivable module.

On a motion of Alderman Smith, duly seconded by Alderman Thibault, it was voted to accept the communication.

Chairman Shea stated I'd like now to ask with your indulgence the Assessors to come up for just a minute. I know that Kevin presented something prior to your coming here about the tax rate and the assessment going up. Could you just give us a quick analysis Steve [Tellier]?

Chairman of the Board of Assessors Steve Tellier stated what we've given you is just the bottom line totals pages. On the page in front of you on the cover sheet, if you look at the very bottom you'll see that number of \$5,314,064,400. That is \$5.314 billion. Now if you look at the second page towards the middle you'll see a column that says "Used", this is the total for our exemptions \$138,000,000.

What in essence we're doing here, when Kevin reported to you this total on Page 1

you deduct from that the exemptions on Page 2. We have a remaining balance of \$1.574 billion. It's a little over \$30 million over our June estimate. What we gave the City Finance Director was a number that he's used to help calculate close to what they feel the rate would be using these numbers and that's the short version. There are two reasons why the number is higher than what we estimated in June. The first one is that if you recall when we did our power point presentation we were conservative with the residential and commercial numbers that we gave up in that power point presentation. Additionally, this number is somewhat inflated because we still have a number of commercial high value cases that have not been scheduled at the Board of Tax and Land Appeals. So that value is somewhat inflated. We can't just arbitrarily lower the value based on what we think it's going to be, we have to wait until it is defended at the Board of Tax and Land Appeals.

Chairman Shea stated and I know that Steve you have been very astute in terms of your involvement up there and I'm sure that you'll be involved in the process up there when the abatements do come before the Board.

Mr. Tellier stated quite frankly Alderman, without the benefit of filling the vacant Assessors position with Steve Hamilton and the additional benefit of the commercial appraisers position being filled, our operation probably would have imploded. It's been a Godsend to have the quality and expertise of the members that we have now and with my being out for several months over the summer, it was a Godsend. Tom Nichols as acting chairman, Steve Hamilton has acted in a yeoman's effort to get the bills out. We expect the bills to be out in a timely fashion, there hasn't been a burp in the road and everybody's been working overtime, without being paid overtime, to get the job done.

Chairman Shea stated one of the points that I want to bring up is, and again, if in fact we were to set the budget for April rather than June, if the people approve the Charter, that would impact the amount of taxes that we would have to raise? Wouldn't it?

Mr. Tellier answered I don't think it's going to change ours because the tax year is stipulated by State statute, as of April 1<sup>st</sup>. So these estimates aren't going to change. It's what's in the ground as of April 1<sup>st</sup>; what exists as of April 1<sup>st</sup> of any given year. You'll have other difficulties that will be pursuant to those needs but it's not going to change what we do as an operation.

Alderman Lopez stated I'd like a complete report on the numbers on the abatement account, where we stand, the number at the BTLA. Kevin Buckley, I know last year you went through the overlay account. Have you been through the

overlay account this year yet? As to make sure that we have enough money in there? Could you take a look at that and report back to this committee.

Chairman Shea stated I do think that in discussing with Tom Nichols today, you did add additional...

Mr. Tellier interjected we did. This number of \$5.174 billion, \$10 million of that is kind of offset if you will. We're asking for an additional \$250,000 over the million that we asked to offset that. Because let's face it, the value right now is a little bit inflated because of those delayed hearings that we have to do so we have to protect the City and the City of this magnitude a \$1 million is an average on what the City should have for a safety net, if you will. So we're cutting this as close as possible, we're certainly not asking any more than we need and as we've demonstrated in the past, any additional funds that haven't been used or we were able to argue well to defend the City, those funds roll over to the next year and allow us to ask for less the following year. And we're definitely not asking any more than we absolutely have too.

Chairman Shea asked and Steve you have experienced at the State level having worked there, in your mind or judgement you believe that that amount of money set aside for the overlay is sufficient?

Steve Hamilton answered we've looked at it several different ways in terms of the potential exposure in the cases that we have. We can't win every case because we're not right in every case, but I think that we're being pretty aggressive in defending the values that we've established and I think that the number that we're asking for in the overlay is very reasonable.

Chairman Shea stated and I know having been there people coming in for abatements are a little bit...they'll really try to present their cases because you had experience up there and you know which types of abatements in your judgement are appealable and which are not.

Mr. Hamilton replied and I think we've been pretty successful so far at identifying the cases that have merit and working to a resolution through settlement in avoiding having to go through the process of a hearing at the appeals, but obviously there are appeals that don't have merit that are filed anyway. For those ones we're fully ready to challenge their appeals.

Alderman Smith asked Steve, how many abatements do you have up in Concord at this time?

Mr. Hamilton answered we have about 100 active cases from tax year 2001. We had about 40 or 45 case for the year 2002.

There being no further business to come before the committee, on motion of Alderman Thibault, duly seconded by Alderman Smith, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee